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**Strengthening Internal Accountability in the  
Context of Programme-based Approaches in  
Sub-Saharan Africa**

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## Preface

The reform of the so-called aid architecture has become a key conceptual and policy issue. Certainly the African continent is in the focus of ongoing efforts. When it comes to point new ways for more effective modes of Official Development Assistance (ODA), programme-based Approaches (PBAs) are an important new model. However, it is not enough to improve the aid instruments alone, but to consider side effects which are connected with new approaches. The present paper of Mzwanele Mfunwa on “Strengthening Internal Accountability in the Context of programme-based Approaches in sub-Saharan Africa” is therefore particularly important. PBAs have substantial effects on the internal accountability structures in partner countries. In this paper Mzwanele Mfunwa analyses this relevant and often neglected dimension of ODA reforms.

This study is the result of a research stay of Dr. Mfunwa at the German Development Institute (Deutsches Institut für Entwicklungspolitik – DIE) in October and November 2005. Mzwanele Mfunwa works as a Development Management Officer in the Development Policy and Management Division (DPMD) of the United Nations Economic Commission for Africa (UNECA) in Addis Ababa / Ethiopia.

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Dr. Stephan Klingebiel

Bonn, March 2006

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## Abbreviations

AU	African Union
APRM	African Peer Review Mechanism
CAGD	Comptroller and accountant general department
CPIA	Country policy and institutional assessment
CRC	Citizen report card
CSO	Civil society organization
DAC	Development Assistance Committee
DFID	Department for International Development (United Kingdom)
ECA	Economic Commission for Africa
EU	European Union
G8	Group of eight industrialized countries
GBS	General budget support
GDP	Gross domestic product
GTZ	German Technical Cooperation Agency
HIPC	Highly indebted poor country
IMF	International Monetary Fund
IPU	Inter-Parliamentary Union
LDC	Least-developed country
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental organization
ODA	Official development assistance
OECD	Organization for Economic Cooperation and Development
PBA	Programme-based approach
PFM	Public finance management
PRS	Poverty reduction strategy
PRSP	Poverty reduction strategy paper
PSIA	Poverty and social impact analysis
SSA	sub-Saharan Africa
SWAPs	Sector-wide approaches
UK	United Kingdom
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
USAID	United States Agency for International Development

## Summary

The nascent democratic process since the 1990s in Africa has given rise to the need to nurture, expand and entrench this process in all African countries. In a rising number of countries, democratic electoral transitions are becoming the constitutionally accepted mechanism for changes of power. By 2005 several African governments have been in their third successive era of democratic changeover of leadership. Important also, Africa's political dispensation is increasingly becoming more inclusive of all social groups, contributing to political stability. As a demonstration of a commitment to institute good governance as the way forward, by January 2006 25 African countries had acceded to the New Partnership for Africa's Development's (NEPAD's) African Peer Review Mechanism (APRM).

Despite these advances, the democratic process in the continent is still fragile, and the emerging governance structures (political parties, civil society organizations, elected institutions of the legislature and the executive) remain weak and largely un-institutionalised. More efforts are needed to nurture these institutions as Africa strives to achieve economic progress and political development.

These efforts will need to include more active support of international actors. Already, these actors have received democratic developments in Africa with admiration, buttressed by magnanimous gestures. On the poverty side, such gestures are underpinned by donor-inspired new ways of tackling poverty. In particular, the poverty reduction strategy paper (PRSP) processes seek to ensure that policy-making, implementation and evaluation are no longer the exclusive preserve of the executive, but are greatly shaped by ordinary citizens themselves. The PRSP processes were partly intended to balance accountability of governments to both their domestic constituents and to donors, as well as donors' accountability to developing countries.

Following a deep assessment, external actors found major flaws in their previous aid interventions in Africa, which rendered aid ineffective on the poverty front. In the 2005 Paris Declaration these actors resolved to "*take far-reaching and monitorable actions to reform the way we deliver and manage aid.*" They became convinced that programme-based approaches, including general budget support and sector-wide approaches, are superior to conventional project-based approaches of the past, as modalities of delivering aid. The donors are now conceiving ways to make use of these modalities in a way that effectively strengthens internal accountability rather than undermine it.

The new aid modalities contain key elements of good governance that are supposed to ensure country ownership of programmes, transparency, accountability and participation of the citizenry. Because of these elements, these modalities are a vast improvement over past ways of delivering aid, and hold a promise to "*strengthen governance and improve development performance,*" as the Paris Declaration states.

Despite these and other positive advances these new ways of delivering aid contain, still a plethora of implementation shortfalls exists. In particular the ideals of participation by the poor, the accountability of governments to their own citizens and the anticipated strong oversight by state institutions seem elusive. On the PRSP process, for example, the longstanding relationships between low-income countries and the World Bank / International Monetary Fund (IMF) based on conditionality however often stresses external accountability over do-

mestic one (World Bank / IMF 2005). Partly, this is ascribed to the negative ‘externalities’ from aid itself that have forced heavily aid-dependent countries to continue accounting exclusively to external actors.

Addressing these pitfalls requires various corrective measures that some donors are already adopting or considering. As per the Paris Declaration to “*help strengthen* [partner countries’] *capacity to exercise* [proper leadership and accountability],” these measures include building capacity of parliaments on public finance management to enable effective budget oversight. Bolstering skills of Civil society organization (CSOs) to supplement parliamentary oversight efforts is a *raison d’être* of some donors.

These measures notwithstanding, donors are still facing a number of dilemmas. Country sovereignty, fungibility of money and thus unclear link to poverty, and ‘grey areas’ (e.g. whether parliaments are pursuing public or party political interests) are some of these dilemmas. The historical channelling of aid via extra-budgetary projects and CSOs in the face of government capacity constraints is a source of heated debate. Furthermore, critiques have registered unease at the ‘excessive’ assistance to CSOs that further weakens state capacity.

The paper concludes that donor influence on recipient government accountability has largely been positive recently, and is likely to evolve in a supportive direction. Non-government organizations have been at the forefront of the new development thinking; and now donor governments too are increasingly following suit in using aid leverage to support democracy (rather than pursuing their own geo-political interest as a primary goal) in sub-Saharan Africa. However, as this new direction evolves external actors must ensure that the new aid modalities do not strengthen external, at the expense of internal, accountability of governments – an outcome that will undermine the effectiveness of aid itself and the budding democratic process currently underway in Africa.



## 1 Introduction

### 1.1 Context

The 1990s saw a wave of democratisation sweeping across the continent of Africa in ways never seen before. New governments took power through the ballot rather than the bullet, in relatively fair and free election, and armed with mandates to pursue good governance and poverty reduction (UNECA 2004). Good governance is propagated to uphold the rule of law, strengthening and respecting institutions that create checks and balances on governments (e.g. independent judiciary, offices of auditor general and ombudsman) undergirded by sound constitutions.

Encouraged by continental bodies such as the African Union (AU) and its programme, the New Partnership for Africa's Development (NEPAD), the salient elements of democracy are emerging too, exemplified by the increasing efforts towards being more transparent and accountable to the electorate. Broader participation in policy-making, implementation, monitoring and evaluation is also taking hold (UNECA 2004).

In this new environment donors took stock of the aid impact on poverty, and found it to be unsatisfactory. Accordingly, in the 2005 Paris Declaration (High Level Forum 2005) they undertook to reconfigure their historical aid interventions to not only support, but also gain from Africa's democratic transition. The donors became convinced that programme-based approaches, including general budget support and sector-wide approaches, are superior to conventional project-based approaches of the past, as modalities of delivering aid. They are now conceiving ways to make use of these modalities in a way that effectively strengthens internal accountability rather than undermine it. On paper at least, recent initiatives such as new frameworks for aid delivery appear appropriately calibrated to embed both the economic and political content at their core to suit the new democratic order.

The historical government-donor relationship is also under review. African governments used to account exclusively donors on the use of donated funds; and donors' technical assistance was largely aimed at building governments' capacities on public finance management. Little effort was made to account to the citizens on policy formulation and implementation.

The central thesis of this paper is that the new modalities of delivering aid constitute a vast improvement over the past ways. These improvements concern harmonisation, ownership by governments, and accountability of governments towards donors among others. But at the same time these new modalities create new problems, including the possibility that donors engaging in programme-based approaches and budget support may actually be undermining internal democratic accountability. Therefore, the main hypothesis is that donors have not sufficiently taken this possibility into account.

In broad terms “*accountability refers to a chain of relationships in which actors are accountable upwards (to donors and other actors...), downwards (to target groups and beneficiaries...) and inwards (to organizational missions, visions and values)*” (Cornwall / Lucas / Pasteur 2000). Accountability manages the power relations between actors, which interact or affect each other directly or indirectly. It can be understood as ‘*giving an account*’ to another party who has a stake in what has been done. The core dimensions of accountability are: transparency; participation; evaluation; and complaints and redress (ODI 2005).

This paper distinguishes between two types of accountability, namely, external and internal (or domestic) accountability. External accountability in this context refers to accountability of aid-receiving governments to international donor community, including international financial institutions, creditors and foundations.

Internal accountability refers to accountability of aid-receiving governments to *their own* people on policy-making and outcomes. Internal accountability entails, among others, openness to parliaments, civil society organizations and the media.

The scope of the paper is rather limited. The paper does not provide a blueprint on ways to ensure effective internal accountability, but simply flags at a *conceptual level* some issues for deeper research, analyses and debates. Even though the paper is deliberately general, there is a slight sub-Saharan Africa (SSA) flavour. SSA is a region with the world's highest incidence of poverty. Since the mid-1990s however SSA's conditions have improved over a broad front: economic fundamentals have changed for the better, and political governance has displayed profound progress and huge reversals seem unlikely (UNECA 2004). The overriding challenge is for these welcome trends to help SSA extricate herself from the pervasive poverty. The paper therefore joins a chorus of other attempts in a search for lasting solutions to the region's problems, and to support ongoing positive developments. Indeed, the new aid modalities have a great potential to make an important contribution in supporting these developments.

The rest of this chapter explains the key objectives and characteristics of the new development approaches, and contrasts these with the old approaches. The section also highlights some prerequisites of internal accountability.

Section 2 gives an approbatory mention of how donors have initiated new development approaches, while arguing that the reluctance to integrate these new approaches in operational activities constitutes a key practical weakness in this new approach. Indeed, it is the contention of this paper that some of the new aid delivery approaches are actually being implemented in a way that further strengthens external accountability, while at best doing nothing to promote internal accountability.

Section 3 discusses various actions external actors are engaged in to support internal accountability including through capacity building. These efforts notwithstanding, section 4 outlines some dilemmas in applying the new development approach. Lastly, section 5 summarises the paper and draws conclusions.

## 1.2 The nature of new development approaches: an improvement over past ways

The 2005 Paris Declaration presents a clear intention on the part of the international donor community to make a clean break with the past ways of giving development aid to poor countries. In the Declaration, donors resolved to “*take far-reaching and monitorable actions to reform the ways we deliver and manage aid*” (par. 1) These actions will be taken partly with a distinct goal of “*enhancing donors' and partner countries' respective accountability to their citizens and parliament for their development policies, strategies and performance*” (par. 3(iii)).

Specific actions that donors promised to take include respecting partner country leadership and “*help strengthen capacity to exercise it*” (par. 15) Such capacity building support should be based “*not only ...on sound technical analysis, but also to be responsive to the broader social, political and economic environment, including the need to strengthen human resources*” (par. 22). Furthermore, as an attempt to ‘do no harm’ to existing government accountability structures and systems, donors promised to “*avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes*” (par. 21).

The new modalities of aid delivery attempt to capture the spirit of Paris Declaration in their formulation and implementation. The programme-based approaches (PBAs), including general budget support (GBS) and sector-wide approaches (SWAPs) (Box 1) provide a good example in this regard. PBAs are programmatic approaches that have a “*recognizable conceptual roof, are answered for, endorsed and managed by the partner countries (including the effective coordination of donors) and supported by donors that adjust their behaviour to the concept*” (Klingebiel / Leiderer / Schmidt, 2005).

<b>Box 1: Distinction between “new” sector-wide approach from “old” project approach</b>	
<b>Sector-wide approach</b>	<b>Conventional project approach</b>
– Country holistic view on entire sector	– Focus on projects to support narrowly defined objectives
– Partnership with mutual trust and shared accountability	– Recipient accountable to donor
– External partners’ coordination and collective dialogue	– Bilateral negotiations and agreements
– Increased use of local procedures	– Parallel implementation arrangements
– Long-term capacity/system development in sector	– Short-term disbursement and success of projects
– Process-oriented approach through learning by doing	– Blueprint approach
Source: OECD/DAC 2003	

Programme-based approaches are based on four key principles, namely:<sup>1</sup>

- Leadership of the programme by the recipient country;
- A single programme with a common budget framework;
- Donor coordination and harmonization of procedures; and
- Efforts to increase the use of the processes and systems of partner governments.

1 Klingebiel / Leiderer / Schmidt (2005).

The new development approach is intended to address the deficiencies of past approaches, which included:<sup>2</sup>

- High transactions costs from the multiplicity of different reporting and accounting requirements including tied aid;
- Inefficient spending dictated by donor priorities and procurement arrangements;
- Extremely unpredictable funding levels and flows;
- Undermining of state systems through special staffing arrangements and parallel structures;
- Corrosion of democratic accountability as mechanisms are designed to satisfy donor rather than domestic constituencies;
- Hard to sustain positive impact beyond the short term, with high level of reliance on donor funds which undermined sustainability; and
- Corruption, fraud and rent seeking that characterised the management of projects and which were not overcome by their independence from government.

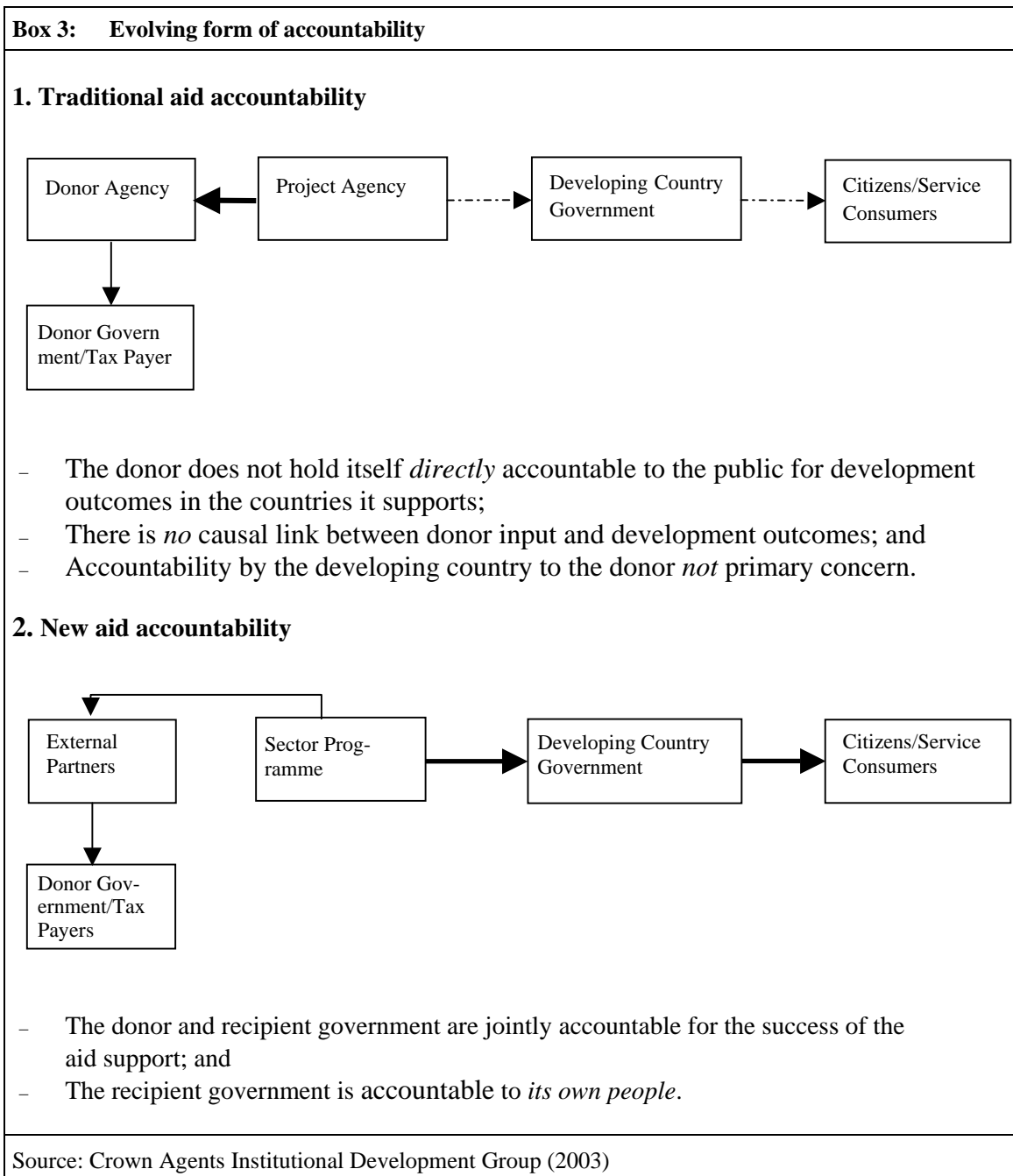
A key feature in the new approach to poverty reduction is the poverty reduction strategy paper (PRSP) process (Box 2), which represents a commitment to engage the poor meaningfully. This emphasis on participation includes inviting community civil society organizations to partake in poverty analysis, and implementation and monitoring of relevant programmes (Draman / Langdon 2005). In sum, the poverty reduction strategy (PRSs) processes are ideally drafted by the recipient countries themselves through the direct involvement of citizenry (for example, community meetings) or via civil society organizations representing various interest groups, and thus leads to country ownership.

The new development approach seeks to reinforce mutual accountability for development results, in particular accountability between government and donors and government to citizens (Box 3).

In this context, the main challenge for the donor community is to behave in a manner that at the same time promotes internal accountability.

<b>Box 2: Principles of Poverty Reduction Strategy Paper Processes</b>
<p><b>Country-driven</b>, involving broad-based participation by civil society and the private sector in all operational steps</p> <p><b>Results-oriented</b>, and focused on outcomes that would benefit the poor;</p> <p><b>Comprehensive</b> in recognizing the multidimensional nature of poverty, but also</p> <p><b>Prioritized</b> so that implementation is feasible, in both fiscal and institutional terms;</p> <p><b>Partnership-oriented</b>, involving coordinated participation of development partners (bilateral, multilateral, and non-governmental);</p> <p>Based on a medium- and long-term perspective for poverty reduction, recognizing that sustained poverty reduction cannot be achieved overnight.</p>
Source: World Bank (2002, 3)

<sup>2</sup> See for example OECD/DAC (2003).



### 1.3 The rationale for internal accountability

In an era in which country ownership, sustainability of programmes and policies and aid effectiveness are important, the international aid community must strive for effective internal accountability. In the past, mere external accountability has proven insufficient on a sustainable basis. External accountability tended to be purely input-based rather than outcome-based.

The 1980s provide a stark example to illustrate this point. That decade is now regarded as ‘lost’ because the living standards of most Africans dropped sharply to less than the 1960s’ levels. Ironically, the official development assistance (ODA) to Africa rose meteorically from 4 percent of GDP in 1980 to nearly 10 percent in 1989. In real terms, foreign aid doubled dur-

ing the 1980s from \$7.6 billion a year to \$15 billion. Furthermore, \$6 billion of debt was cancelled (Meredith 2005).

In a 1989 report, the World Bank proclaimed: “*Africa’s economic malaise had political as well as economic roots.*” As a solution, the Bank called for the “*strengthening [of] accountability, by encouraging public debate, and by nurturing a free press...fostering grassroots and non-government organizations...*”(World Bank 1989).

Moreover, effective internal accountability is in the donor community’s interest in that it supposedly leads to long-term sustainability of projects, country ownership and support, and lower monitoring and transactions costs.

The increased use of GBS as an aid delivery tool in recent years, coupled with the decline in project support and conditionalities, further justify efforts to boost internal accountability. The rapid growth of budget-support operations recently informed a new aid philosophy that stresses flexible funding for country-led poverty reduction efforts. In some countries the GBS amounts to 40 per cent or more of government budget (Lawson et al. 2005).

Finally, internal accountability contains another key spin-off as well: it constrains the elected representatives’ tendency of wilfully deviating from their responsibilities, and further helps to reduce incidences of corruption.

#### 1.4 Prerequisites for effective internal accountability in the budget process

Key ingredients for effective internal accountability include the following (UNECA 2005a):

**Political setting and set-up.** In principle, putting aid funds in the budget enhances local control over them, and requires strong checks and balances in the political system. This calls for technically capable parliaments to scrutinise public finances effectively, which further requires enhanced political role of parliament both in law and administration. In sum, in the absence of the ‘right’ political environment for state organs to function, internal accountability will founder. In such an environment new development initiatives such as GBS will be ill suited as an aid delivery vehicle (Lawson et al. 2005).

**Participation.** “*Participation contributes to three objectives: (broad-based) ownership, accountability, and pro-poor effectiveness*” (Molenaers / Renard 2005). The executive must play a catalytic role in the creation of legislative and administrative environment for citizen participation. Additionally, legislatures themselves should open their proceedings to the media and the public, and should invite outside submissions and experts to testify.

**Stronger parliament/civil society partnership** is encouraged to enhance domestic budget management and outcomes. For CSOs, the legislature is a primary channel for influencing budgetary decision-making. From the legislature’s perspective, the input of CSOs can help the legislature’s effective engagement with the budget. For example, some CSOs are providing budget training to legislative staff and members, and produce accessible guides to the budget process. CSOs’ expertise can boost the capacity of legislative committees to conduct independent analysis of the budget (Krafchik 2005). This partnership is important when legislative research capacity is inadequate.

**Transparency of budgeting processes.** Transparency can be facilitated through the demystification of the budget, which could be achieved by producing simple summaries and presentations that a non-technical person can understand. Second, by transparency of participation at national and local government levels to build trust, ownership, and support among all stakeholders (UNECA 2005a).

## **2 Limitations of internal accountability mechanisms for budgetary oversight**

Ironically, the new and improved modalities of delivering aid and the development agenda have sparked heated and widespread debate regarding their efficacy to reduce poverty. This section highlights some areas of controversy as these relate to internal accountability and, by extension, to democracy itself.

### **2.1 Aid: good but adverse side effects abound in its current form**

A growing number of external actors is trying to exercise “*good donorship*” (ODI 2005) by honouring their undertakings. In the 2005 Paris Declaration on Aid Effectiveness donors undertook to enhance their own and

*“partner countries’ respective accountability to their citizens and parliaments for their development policies, strategies and performance.” Furthermore, donors committed themselves “to taking concrete and effective action to address the ... challenges, including weaknesses in partner countries’ institutional capacities to develop and implement results-driven national development strategies.”*

For these undertakings and efforts, donors deserve plaudits for striving to ensure effectiveness of aid and increase the prospects of sustainable development after they have departed. Indeed, if donor-initiated PRSP processes are well implemented they could very well serve to strengthen democracy and governments’ accountability efforts to their citizens, and thus fulfil their Paris undertaking.

Conclusions of several studies however argue that aid delivery in its current form, is thwarting efforts of making partner countries to account to their own citizens (including through parliaments). Djankov / Montalvo and Reynal-Querol (2005) study results show that aid has a statistically significant and negative effect on democratic institutions. On average, countries with above average aid receipts relative to GDP show a political deterioration. The study concludes that a country receiving more foreign aid than three-quarters of the countries in the sample, over a period of five years, can expect to see a decline in the index of democracy by 0.6–1 point on a scale of 1–10.

Thus, aid can have

*“unintended and often undesired consequences, such as a reduced legitimacy of formal laws, a weakening of the domestic accountability of government actions, a reduced legitimacy of formally elected legislative and executive bodies, the capture of donor money by self-interested elites that dominate state power behind a technocratic façade, and increased political instability” (Dijkstra 2005).*

How can a large amount of aid reduce the incentives for democratic accountability? When revenues do not depend on the taxes raised locally, there is less incentive for accountability. Aid therefore may fetter the pace of improvements of state institutions and government accountability by (Harford / Klein 2005):

- Supporting poor governments and remove the pressure for reform;
- Aid can create a ‘*moral hazard*’ problem, meaning that governments can spend money without a firm budget constraint, confident that donors will bail them out of any difficulty;
- Aid siphons skilled workers away from government;
- Recipients overstretch themselves. In a situation where focusing on priorities is important, recipients will often prefer to expand their operations to cover whatever projects donors wish to fund; and
- Aid fuels patronage and sparks fights over rents.

Second, aid can elevate external accountability above internally accountability because of lack of capacity on the part of government. According to Christiansen (2005) a government with limited capacity generates distrust among external actors as they treat with scepticism all government systems. External actors then work round these systems through projects on development and humanitarian issues. Because of this, the state is further undermined, as its systems remain idle. Government legitimacy becomes eroded, as government fails to deliver. Alternative power basis build up around those who have access to external resources. The accountability and responsibility of government becomes increasingly irrelevant as it loses control over policy and on service delivery. State planning and policy-making processes become increasingly pointless, as resources are too unpredictable and too scarce. Line ministries turn directly to donors. “*Atomised, projectised donor support*” results in inconsistent policies and inefficient programmes emerging. Donors lose even more faith in government capacity, and thus put on increasingly stringent conditions and demands on their aid. State accountability shifts more and more upwards to donors. Both non-government and government actors relate more and more directly to donors as sources of influence and finance rather than their own government.

On the last point at least, the new programme-based approaches serve to counter some of the anomalies in that they bring governments back into the centre of the accountability stage, at least towards the donors. Here, governments are re-empowered to act as the main source of public service delivery under close monitoring by donors of budget support. As the paper argues throughout, this tends to strengthen external, and erode internal, accountability.

## 2.2 Limited parliaments’ involvement in budgetary processes

The international debate is framed as a tension between the roles of the executive and the legislature – between technicality and democracy. In virtually all countries it is accepted that the executive has a mandate to prepare the budget, as it possesses the most comprehensive information on which to base revenue and expenditure decisions (Krafchik / Wehner 2003).

From a democracy’s angle, parliaments’ role in the budget process should remain significant however. The budget is an important economic policy tool of government, and indicates the nation’s priorities. As the representative of the people, parliament is best placed to ensure that



the budget best matches the nation's needs with resources. This ability is especially critical considering limited resources, and demands detailed engagement with the budget.

In many sub-Saharan African countries, parliament's powers to engage with and change the budget are not defined, with the ultimate result that the parliamentary budget process is largely of symbolic value (UNECA 2005b).

Even though it is not for donors to prescribe a political set up of parliamentary involvement in the budget process, the main idea nonetheless is to see to it that parliaments are involved. Yet many donors shy away from helping improve parliaments' capacity when they can do so. Being considered '*too political*' and therefore '*too sensitive*', political party development (an entry point to assisting parliaments) has for a long time ranked lowest in the list of international policy priorities for development cooperation. As a result, most assistance has gone into strengthening of the civil society sector often at the expense of political parties. Indeed, some commentators have wondered aloud whether "*the disproportionate international attention for civil society development has not unintentionally undermined the growth of political parties in some developing countries* (Schoofs / de Zeeuw 2004)".

To be sure, civil society actors are adept at expressing specific demands, but are less suitable at aggregating broad societal interests. Interest aggregation and other democratic functions can only be performed by political parties that in most cases, however, lack the resources to do so (Dijkstra 2005).

Increased legislative participation can bring several benefits. For example, greater transparency and openness through such participation help to curb corruption. This in turn engenders efficiency and effectiveness in spending, and enhances public debate, which fosters consensus about budget choices.

Limited involvement of parliaments in the budget processes also manifests itself in the PRSP process. For starters, involvement in PRS processes by parliaments in sub-Saharan Africa has been limited in scope and is the exception rather than the rule (Dijkstra 2005). In some cases, it has been restricted to participation by individual members of parliaments in consultation sessions, mostly without institutional participation by parliaments. Partly, this marginalization of parliaments stems from donors' traditional focus on the executive, and to the notion that equates participation with civil society actors.

### 2.3 Civil society participation needs strengthening

Since the 1990s, civil society organizations (CSOs) have played a larger role in the budget process in many developing countries. This enhanced role corresponds with the political trend towards democratisation. The majority of these CSOs or '*budget groups*' (Krafchik 2005) operate independently of the country government and political parties, and thus provide an effective oversight function to public budgeting.

These budget groups share a common agenda that recognises the value of budget processes, independent oversight and a commitment to pro-poor choices within existing resource envelop.

Another key function of CSOs in the budgeting process is that their activities often complement budget oversight within legislatures and increase coverage of budget issues in the media. A partnership between CSOs and legislatures, as alluded to earlier, is often the starting point for the development of local independent budget work. This symbiotic partnership has had civil society build research expertise that is lacking in legislatures, while legislatures had given voice to civil society's concerns during budget debates.

Furthermore, some CSOs participate in auditing public finances. This participation can lead to sound public finance management by, first, providing independent information on the impact of the budget on poor and low-income citizens. Second, it helps to build budget literacy among citizens and facilitate discussions and debates on budgetary issues within civil society. Third, it enables CSOs to collate, synthesize, and disseminate information on public finances; it thereby adds new data into the budget process. Finally, civil society budget groups provide training on public finances to citizen groups, the media, and legislatures, thereby strengthening the capacity of all of these groups to exercise oversight over budget process and to demand accountability from government agencies (Ramkumar / Krafchik 2005).

Notwithstanding these benefits, the donors are confronted by a number of issues in assisting CSOs. Key among these is the problematic of 'excessive' reliance on CSOs that creates a danger of replacing legitimate state organs and thus thwarting efforts to strengthen those organs. This matter is discussed further below.

#### 2.4 Effective participation: the missing element in the PRSP processes

The poverty reduction strategy paper (PRSP) processes were partly intended to balance accountability of governments to both their domestic constituents and to donors, as well as donors' accountability to developing countries. The longstanding relationships between low-income countries and the World Bank / IMF based on conditionality however often stresses external, over internal, accountability (World Bank / IMF 2005).

Second, there are concerns that little discussion is entertained about what macroeconomic framework is most suited to reduce poverty during the PRSP process (Dijkstra 2005). In the view of some CSOs, the opportunity to participate in their government's economic policy making is rendered meaningless because the policy space enjoyed by governments is so limited as to prevent any effective policy debate among different groups. And hence, macroeconomic policy is still shaped exclusively by donors led by the Bretton Woods institutions.

Third, mention is often made of the lack of involvement in the PRS process by critical political decision-makers and representative bodies such as parliaments.<sup>3</sup> As mentioned before, the focus on CSOs in PRS formulation may have drawn attention away from the involvement of these representative bodies, thereby bypassing existing processes of deliberation and dialogue.

And, fourth, the views of poor people are only marginally reflected in PRSs. This is in part because direct engagement of this marginalized group takes more time than existing planning cycles allow (Molenaers / Renard 2005). Furthermore, vulnerable, marginalized, and dis-

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3 Dijkstra 2005, *ibid.*

empowered populations generally have less voice, weaker networks, and suffer more from the effects of non-income poverty than the average poor person. This form of powerlessness results in their exclusion from the generation of information and adjustment of policies and actions, which affect them. This, in turn, prevents policymakers' accountability to citizens through the "long route" of accountability. For this purpose, decentralization efforts on key policy issues and administration could possibly help address the exclusion problem of the poor.

### **3 Capable parliaments and CSOs to ensure accountability: the roles of the donor community**

Donors have a role in supporting internal accountability. They need to "*ensure that the conditions really make aid effective and are agreed in a manner which does not distort or undermine countries' own strategies or processes, and that we make a clean break from past practice which sought to enforce particular policy choices*".<sup>4</sup> In sum, donors must (Healey et al. 2000):

- Ensure accountability of national spending priorities to domestic constituencies rather than to themselves;
- Help find mechanisms for empowering the poor directly or indirectly;
- Set realistic standards for institutional and policy change when judging acceptable performance for offering debt reduction under the HIPC agreement;
- Help work out ways in which public spending and service provision can more effectively be converted into desired poverty reduction outcomes (e.g. reduced infant mortality or improved health or education among the poorest groups); and
- Help increase public expenditure on poverty objectives consistent with macroeconomic stability through external provision of more predictable, medium-term financial support for domestic budgets.

To effectively carry out internal checks and balance on budgeting processes, capacities are needed on technical (budget, the content of the PRS priority actions, etc.) and on processes (coalition building, negotiation skills, and others) across all actors endowed with different and complementary knowledge and skills.

There is little doubt however about the positive influence external donors, especially NGOs, have had in promoting democracy in general and internal accountability in particular in sub-Saharan Africa. Donor agencies have redesigned their aid interventions, taking the cue from NGOs, for deeper impact on poverty and good governance that underpins it.

This section is about actions taken by donors to rectify existing pitfalls in the implementation of new modalities. It is early yet to ascertain the success of these efforts, particularly in light of still insignificant donor harmonisation of aid interventions.

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4 Statement by Hilary Benn, U.K. Secretary of State for International Development, on the topic "The Review of World Bank Conditionality"; online: <http://www.dfid.gov.uk/aboutdfid/dfidwork/conditionality-statement.pdf>

### 3.1 Using aid leverage to enhance internal accountability

There is a heightened awareness among the donor community that without internal accountability, aid will eventually prove ineffectual in the ultimate objective of reducing poverty. Accordingly, donors are urged to use their aid leverage to prod governments to be more accountable.

Underpinning these efforts is a sense that just because aid delivery may have caused problems in the past, as Djankov / Montalvo / Reynal-Querol (2005) argue, does not mean that it cannot be improved. Contrary to the views noted earlier, some commentators note that large aid flows actually helped to improve governance in many African countries from the 1990s, raising hope that methods of delivering aid may have improved. The programme activities of the Bretton Woods institution, it is argued, have increasingly reflected participation of the citizens of countries. These organizations' PRSP process as a compulsory prior action for debt relief under the highly indebted poor country (HIPC) initiative serves to illustrate this point.

In the recent past, some donors have taken action to avert potential damage that aid can cause. Such action, for example, has taken the form of withdrawing aid if it swells government budgets and thus discourages reform or the growth of accountable institutions. Another form is to closely control aid flows if aid generates rents, fuels patronage and is likely to lead to corruption.

### 3.2 Commitment to good governance

The G8 countries resolved to forgive debt and increase aid to countries that are exercising good governance. This is a good sign that needs to be followed by a clear understanding of what 'good governance' means. Is it the state of good governance or progress towards that state? In the latter case, governments are enjoined to open democratic space; practise economic management; ensure participation; entrench transparency in law and practice. Yet a move towards good governance has cost implications too, that require enhanced assistance still (UNECA 2004). To avoid an '*chicken and egg*' situation therefore, governments have to show progress, and demonstrate through effecting and abiding by rule of laws, among relatively costless exercises.

Donors should observe and assess recipient governments on the basis to which they are committed to the principles of transparency, participation, free and active civil society including the media – all prerequisites for effective accountability in general and internal accountability in particular.

### 3.3 Empowering parliamentarians

Ideally, participation by parliament must take place at all levels of the budget stages: drafting, legislating, execution, and audit. In this regard, enhanced measures that could be adopted by the donor community to strengthen parliaments are: (a) strengthening the legal and political conditions in the countries; (b) promoting the functional capacity of parliaments; (c) strengthening interaction with other actors; and (d) improving the international donor policy environment for the legislatures (Eberlei / Heun, (2003).

Legislatures need access to research capacity to make sound budgetary decisions. Some of the more activist legislatures, in budgetary terms, have substantial budget research capacity (e.g. US Congressional Budget Office). In Uganda the 2001 Budget Act created a Parliamentary Budget Office staffed with 13 economists.

Few donors and institutions have become involved in parliamentary promotion so far, as expounded earlier. Those few donors include the World Bank, United Nations Development Programme (UNDP), United States Agency for International Development (USAID) that are running parliamentary promotion programmes. The World Bank has three promotional components: parliament control, parliaments and poverty reduction, and parliamentary networks. One result of this is the Parliamentary Network of the World Bank, which organises consultations and training for 140 participating parliamentarians from 60 countries. The promoted networks also include the African Parliamentarians Network Against Corruption.

The UNDP has various capacity building measures aimed at improving parliamentary control and legislative competence. Training and exchange programmes are also carried out jointly with the Inter-Parliamentary Union (IPU) in some cases. Additionally, the UNDP is promoting parliamentary reform processes. In the PRS countries in sub-Saharan Africa, however, the overall scope of UNDP measures is very small.

As with most bilateral donors, parliamentary promotion in official German Development Co-operation is a comparatively small field in relationship to development cooperation as a whole. A special feature of German development co-operation is the role played by the political foundations, which are affiliated to the main political parties but autonomous in the conduct of their activities. There are six such foundations promoting democratic development and respect for human rights in developing countries with funding from the federal budget for development co-operation (OECD/DAC 2006, 23).

The programmes of these foundations are however mainly geared towards parties, parliamentary committees and groups or individual parliamentarians, and less on technical support for parliaments as an institution in its own right.

Several donor organizations are now taking steps to increase the capacity of parliaments in public finance management (PFM). They focus not only on the parliamentarians within the sub-committees of finance, but also on the parliamentary administration to ensure continuity even after the end of the term for incumbent parliamentarians.

As one of the criteria for selecting parliamentarians to partner with, some donors avoid working with dominant parliamentarians coming from the ruling party or where there are severe cases of bad governance (e.g. as in Equatorial Guinea).

On strengthening parliaments in the PRS processes, a number of initiatives have been put in place. These can be aggregated as follows (Eberlei / Henn 2003):

**National legal and political conditions.** This is aimed at promoting parliamentary reform and to embed programmes designed to promote good governance in general, as well as within the framework of general political dialogue.

**Functional capacity.** This is geared towards capacity building and resource development to narrow the gap between the functional performance of parliaments and their constitutional

scope. The activity seeks to reduce existing shortfalls in parliamentary work – the low standard of information for members of parliaments and limited functionality due to lack of resources.

**Legislation.** The initiative is aimed at equipping parliaments to ably evaluate the executive's legislative proposals in terms of their impact on poverty and present its own legislative initiatives aimed at reducing poverty.

**Budgetary powers.** Enables responsible committees to analyse the budget in detail in terms of its impact on poverty, and where appropriate propose precise changes to parliament.

**Oversight.** In general, capacity building in this area includes control functions; strengthening the relevant committees; systematic improvement of the information flows between constitutional control institutions (e.g. Auditor General) and parliamentary committees (which also requires improved capacity in the parliamentary administration). There is a need to strike a balance between the necessary substantive inputs and preserving the sovereignty of the parliament is considerably more apparent in capacity building and parliamentary reform initiatives than in measures to improve resources.

**Interaction with other actors.** As noted previously, interaction and cooperation between parliament and civil society has high potential relevance for poverty reduction. Such cooperation would be in areas of analysis and discussion of the annual budget, control of expenditure and implementation of PRS principles in sectoral programmes – cooperation that can be promoted by the donor community. As in the case of South Africa, the aim should be to institutionalise cooperation (as opposed to ad hoc activities).

**International donor policy environment.** The strong focus of donors on civil society participation in the PRSP processes, as argued above, has generally led to an implicit weakening of parliaments. In this regard, the IMF and the World Bank should not accept PRSP process submitted by the executive of a country without approval by a parliament. In addition, to strengthen parliaments the two organizations must require “parliamentary approval of loans and financial assistance” before extending them to governments (IMF 2005).

### 3.4 Selecting and empowering CSOs

Despite their immense potential to promote internal accountability (for example, see Box 4), in many low-income countries civil society is weakly organized and embryonic. Moreover, it is unclear to what extent some of these organizations represent the interest of the poor. What abounds in the PRSP processes are development CSOs, but they are said to be “*mainly urban, professional, donor-bred and fed with unclear links with grass-roots organizations, and often disconnected from the sectors they claim to represent*” (Molenaers / Renard 2005).

Furthermore, governments have been accused of inviting CSOs that fit their preferences, from traditional religious leaders to representative of the business community to youth movements. There is thus no guarantee of a built-in participation by the poor.

The same argument goes to attempts of assisting the media. In cases where the state has allowed a proliferation of media outlets, these outlets have been found to be highly biased.

**Box 4: Citizen report card tool in Ghana**

As part of the joint Department for international development (DFID) Ghana/World Bank Public and Social Accountability Fund, the Comptroller and accountant general department (CAGD) in Ghana prepared a report on participatory audits. CAGD oversees the disbursement of all government funds, including HIPC and poverty related funds.

In cooperation with the NGO Institute of Policy Alternatives, the Internal Audit (a unit within CAGD) used the Citizen Report Card (CRC) tool to carry out an impact assessment of government anti-poverty and HIPC projects in four pilot districts. The purposes of this project were to:

- Build capacity in the Internal Audit.
- Make the CRC a regular complement to the normal financial audit.
- Track government expenditures down to the level of local communities.
- Assess the extent to which service providers involve civil society in planning and executing development projects.
- Assess the impact of government projects in local communities.
- Enhance usage of projects sited in the communities.

Build a platform by which civil society can express its opinion about government projects.

In each of the four pilot districts, the Internal Audit and Institute of Policy Alternatives brought together local opinion leaders to assess the projects being examined. Their views were then relayed to service providers, and draft reports were prepared for key stakeholders. A forum was organized to bring together opinion leaders and service providers in each of the districts to discuss the issues raised and find solutions.

The programme's ultimate goal is to improve government accountability by expanding popular participation at the local level. The project also seeks to inform service providers of what they need to do to enhance service delivery, ensure that communities' development requirements are considered during the planning of the budget, and bridge the communication gap between communities and service providers.

Source: The International Budget Project Website; online <http://www.internationalbudget.org/resources/newsletter29.htm#ArgentinaGhana>

Hence, donors may find it difficult to determine the appropriate outlet(s) with whom to partner in offering training and skills development (Howard 2003).

The steps that donor community can insist on and participate in, as part of pursuing 'good governance' to strengthen civil society participation in the legislature include:

- Open the legislature and its committees to the media and the general public;
- Make information before the legislature publicly available, including committee reports;
- Call for submissions on the budget and legislation, and invite outside experts;
- Educate civil society about legislative procedure, and needs; and
- Engage with civil society about what is needed to establish a cooperative relationship.

### 3.5 Alignment and harmonization of donor policies to support PRSs

The alignment of donor policies with the PRS processes and the harmonization of donor practices are considered critical to the effectiveness and development cooperation – regardless of

the aid modalities (Lobb-Rabe et al. 2005). Recommended solutions to current alignment problems include:

- To avoid the re-emergence of donor-driven agendas, partner countries need to introduce a medium-term action orientation to their PRSP process. This is to rectify the notion that so far, the large majority of PRSP processes have not provided a sufficient basis for aligning donor policies because they are too general.
- Donors and partner countries have different interests and perspectives as regards development cooperation. Alignment requires proper attention to both sides' interests. Deepening in-country analytical work can help here; such instruments as the Poverty and social impact analysis (PSIA) or Country policy and institutional assessment (CPIA) are deemed especially suited to this task.
- Extending in-country dialogue between government and civil society on major reform issues is strongly recommended – a process that might need to be jump-started by donors in some countries. Various government and civil society stakeholders pursue different interests. When certain societal forces are left out of reform processes, they might try to block them.
- A number of problems exist with conditionalities. While donors find them necessary, they threaten essential country ownership of PRSP processes and reform programmes. Too many conditionalities overburden country capacities, while it is not always easy for donors to assess their fulfilment. Therefore, partner governments and donors need to agree on medium-term development goals, but not on the details of how the countries will reach them. Other possible solutions to these dilemmas are: agreeing to limit the number of conditionalities, shifting from input to outcome conditionalities when possible, identifying target corridors as opposed to fixed values, and focusing on core political actions.
- Donor harmonization can create financing bottlenecks in the case of non-fulfilment of conditionalities. One way to deal with this is to combine fixed and variable disbursement tranches as practiced by the European Union (EU).<sup>5</sup>
- Harmonization presents many management and coordination challenges to the donors. Mechanisms that support a division of work amongst donor organizations based on their comparative advantages, such as delegated cooperation and silent partnerships, should be adopted.

#### **4 Dilemmas facing donors in promoting government accountability**

Admittedly, attempts by the donor community to assist in entrenching internal accountability are complex processes, fraught with misperception of their agenda. Many controversies have centred on country sovereignty and political party assistance, accountability priorities of foreign-funded CSOs, the extent to which assistance to CSOs actually at the expense of parliaments poses a threat to democratic accountability of governments, and heterogeneity of donors themselves whose activities are guided by political priorities of their governments.

Some of these issues explain the reluctance of donors to participate in building capacities of parliaments even if it is in their interest to do so. In short, some of systems that need to be put

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<sup>5</sup> OECD/DAC (2003); *ibid.*



in place to strengthen PFM and accountability go beyond economics and finance. Hence, a total package of technical assistance must factor in political considerations.

Additional to the controversial areas mentioned above, this section raises a number of other contentious areas and dilemmas that call for deeper debates and research. These are:

**Lack of local ownership.** Despite commitment to “*partner countries being in the drivers’ seat*”, still donors want to determine direction. The international community has often faced criticism about the political party assistance it gives. Many commentators – journalists, writers, and academics – contend that foreign powers should not engage in activities that directly or indirectly affect election outcomes.

**Limited time horizon.** While most assistance programmes for civil society and media are planned for five years, political party development projects tend to have a life span of only one or two years. One possible explanation is that party assistance is generally associated with elections in the minds of policy and decision makers in funding agencies. They finance party development activities when fresh elections are planned in a transition or war-torn society, but they lose interest in party assistance once elections are over. Perhaps this is also true of the political parties targeted by the assistance programmes. Unfortunately, party building is a long process. Training people, assistance to organizational development, and strengthening an environment favourable to multiparty democracy requires sustained assistance (Kumar 2004).

**Inclusiveness or selectivity.** A practical issue with major political implications is the process of selecting the parties that will receive assistance. It is necessary to select certain parties because donors cannot marshal sufficient resources to assist all parties. Many developing and transitions countries have dozens of parties. The international community does not have enough resources to assist each and every one of them. Even if sufficient resources did exist, it is doubtful if such a course would be optimal. Many existing parties have no realistic chance of becoming major players in the political arena. Others may advocate political and social goals that are incompatible with the ideals of democracy and pluralism. Still others may be dominated by a few leaders not exactly favourably disposed to good governance.

**Partisanship.** Support to political parties that operate in a dominant party system – as is often the case in Africa – poses a tricky dilemma. In that situation, the choice is between supporting dominant parties, thereby institutionalising the dominant party system, or supporting weak parties that often have weak grassroots support.

**Balancing political party and civil society assistance.** Balancing assistance for civil society and political parties is yet another tricky policy issue that has received little attention. To be sure, during the past two decades, CSOs have emerged as major actors in transition and post-transition societies. They played a major role in promoting democratic transitions in Central and East European countries. They also contributed to the emergence of democratic institutions in South Africa and East Asian countries. CSOs have been articulating the interests of different socio-economic groups and exerting pressure on governments to introduce social and political reforms all over the world. Where strong political parties do not exist, CSOs have taken up the roles and responsibilities traditionally performed by political parties. For the donor community, it is easier to channel funds to non-partisan CSOs than to promote political parties or the organizations that support them. Moreover, civil society has acquired remarkable expertise in developing funding proposals on topics and terms that seem to resonate well with the donor community.

**Choosing proper channels in order to make aid more effective.** Can this be achieved through governments or via CSOs or both? What are issues to take into consideration in making a choice? Do all forms of new aid delivery modalities suit all LDCs equally? For example, when is it suitable to use project support rather than on-budget support?

## 5 Conclusion

External actors have welcomed democratisation across the African continent since the 1990s. On their part they have adopted or are considering new ways of dealing with poverty and a new kind of aid architecture that stresses country ownership, participation, enhancing transparency and accountability and sustainability.

On the whole, donor activities are promising to be supportive of the incipient democratic process in the continent. Many donors (especially the NGOs and now increasingly donor governments) are constructively using aid leverage to cajole recipient governments into recommitting themselves to good governance when they experience lapses. The recent UK decision to withdraw budget support from Ethiopia and Kenya supports this conclusion (Economist 2006).

Notwithstanding this positive development, the new development approach has encountered hurdles: limited or no participation by the poor in policy making and budget discussions and implementation; there is still very strong external accountability of governments pursued at the expense of internal accountability; the prevalence of poverty programmes designed in secrecy and haste to meet timetables of external donors; and a general lack of local ownership.

In brief, the manner in which donors deliver aid under the new modalities may inadvertently undermine internal accountability. The cases in point are, first, the way the PRSP process has been conducted in a number of developing countries, and which many observers have found wanting in its participatory content, particularly the participation of the poor. Second, although the direct budget support has registered some successes in some countries such as Uganda and Tanzania (KfW 2004), this mode of aid delivery is nonetheless faulted for the lack of monitoring by the ordinary citizens and the CSOs in a vast majority of countries. On the positive side, these programmes are well under the control of recipient government, but these governments tend to account solely to donors who also do the monitoring of expenditure.

Needless to say, donors are well aware of these hurdles and problems, and heated debates are now centred on ways to overcome them. First, how they can 'do no harm' to internal accountability processes that naturally accompany democratic processes. Second, what measures can they adopt to deepen governments' accountability to their own citizens?

As articulated in the Paris Declaration, some of the action plans needed to rectify this situation include three areas. First, donors must make new aid modalities to follow the path originally intended, namely avoiding bypassing participation by the poor. Second, they must collaborate more with extra-government state institutions such as parliaments and CSOs that exercise budget oversight. And, third, they need to help enhance the capacities of these institutions for enhanced vigilance over government fiscal activities.

A rising number of donors is on course to collaborating more with non-executive functionaries and is providing the necessary skills. The recency of these efforts makes an assessment difficult to gauge at this stage. There is agreement however that these efforts need to be reinvigorated and sustained over a longer term to have visible and long lasting results. Furthermore, donors would have to deal head-on with politics and other country peculiarities and idiosyncrasies for which many of them may be poorly equipped.

There are thorny issues to contend with. These include mounting concerns about too much focus on CSOs who tend to have narrow and sectoral interests, to the detriment of institutionalised state functionaries, particularly parliaments. Second, donors must discover creative ways to help to build capacities against the backdrop of diverse nature of parliaments while avoiding perceptions of partisanship, supporting essentially one-party states, promoting parliaments whose actions and ideologies are not in congruence with standard democratic principles, and where link between parliaments and ordinary people are blurred.

Further to these dilemmas, aligning donor accountabilities to home countries while at the same time ensuring that their programmes are designed to be in line with partner countries' own is proving a challenge. As a starting point donors are beginning the process of alignment of their own programmes as a group, a challenge in itself given their diversity. This harmonisation in donor aid efforts should help strengthen internal accountability through increased country ownership and more effective use of aid.

Other dilemmas involve the choosing of aid modalities. Among these modalities there are many instruments such as poverty-reduction support credits, and poverty-reduction and growth strategies; and capacity building for PFM. Debates must go on as to which modality is preferable and under what circumstances.

All in all, there is a general consensus that the current development approach is a vast improvement over past ways of fighting poverty. For this approach to deepen internal democracy in sub-Saharan Africa in an accelerated and meaningful way, however, it needs further amendments. Hence, current debates on ways to achieve this goal should be welcomed.



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